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SUBJECT: LEE MYUNG-BAK: THE NEXT PRESIDENT OF KOREA?

Classified By: A/DCM Joseph Y. Yun. Reasons 1.4 (b/d).

¶1. (C) SUMMARY: In a November 20 meeting with the DCM, former Seoul Mayor and leading presidential hopeful Lee Myung-bak said that the December, 2007 ROK presidential elections will be about the economy above all else. He said the Korean economy should be growing at a 7 percent rate instead of the current 4 percent, but did not give a specific recipe on how he would encourage that kind of growth, other than noting that Korea needed to expand domestic consumption rather than depend only on exports. Lee said the U.S.-ROK relationship was vital for the ROK and eventual reunification, and that our two countries' national interests could be harmonized if, unlike President Roh, the future President chose experienced and knowledgeable advisors. Lee said engagement with the North should be pursued, but with firmness based on reciprocity, which was quite different from the appeasement strategy of the Roh administration. Lee explained that his 13 percent lead in polls among all possible presidential candidates was due to his strong economics background and his consistent, firm stance toward North Korea. END SUMMARY.

The Political Road Ahead

¶2. (C) In a November 20 meeting with DCM Stanton, Former Seoul Mayor Lee Myung-bak, leading in all presidential polls, seemed comfortable with his front-runner status and confident that the campaign leading to the Blue House was manageable through concentrated focus on the economy. Lee observed the ruling Uri Party would likely split because of internal difficulties while he guaranteed the opposition Grand National Party (GNP) would stay together. He added that the GNP candidate would become clear in January, 2007. President Roh was elected in 2002 by playing on anti-American sentiment but in 2007 while the traditional left-right split and North Korea would be important election issues, the U.S.-ROK relationship would not play a major role; the economy would be the top issue for voters.

¶3. (C) Lee said Washington and Tokyo should not be too hard on North Korea before the elections because that could allow the Uri Party candidate to exploit this issue. During a recent trip to Japan, Lee asked PM Abe to work to improve the ROK-Japan relationship only after the GNP came to power in 2008 because the current Roh administration would try to incite anti-Japanese sentiment and had no interest in improving the bilateral ties.

The Road to Unification

14. (C) Lee said no South Koreans expected the Six Party Talks to succeed so, if they were to fail, it would not have much impact on the local political scene. He said that Roh and Kim Jong-il were not serious about the Six Party Talks. For any approach toward North Korea to work, there should be strong coordination between the U.S. and ROK and a firm approach toward North Korea. The DCM cited a poll that said 43 percent of South Koreans thought the North Korean nuclear test on October 9 was the fault of the U.S. and asked if politicians might use this to make anti-U.S. sentiment a key 2007 campaign issue. Lee allowed it could happen, but thought the economy would be the central campaign issue. He added that South Korea could not accept a nuclear North Korea and should work with the U.S. to ensure the dismantlement of the North's nuclear program.

Changes In North Korea Policy?

15. (C) The DCM asked what changes Lee would make on inspections of cargo going to and from North Korea and if any changes were needed regarding the Mt. Kumgang tourism project or the Kaesong Industrial Complex (KIC). Lee said that the Mt. Kumgang project started when he was still at Hyundai and thought it was an important project, but that no cash should be given to the North Korean regime. He said that former President Kim Dae-jung had distorted the project but that it still should be continued without cash payments. Lee stressed that Kim Jong-il must be confronted with consistent, firm policies toward North Korea.

16. (C) In an odd aside, Lee said he knew Saddam Hussein well from his days leading construction projects in the Middle East and in fact saw Hussein kill a general; he said he had less to do with Hussein after he witnessed the shooting. Lee continued that the U.S. did not know Iraq and this had led to the many subsequent problems. The U.S. should attempt to understand the way South Koreans view North Korea just as the U.S. should have tried to understand how Iraqis saw Hussein before invading Iraq. Such perspectives were needed to explain why South Koreans still wanted to travel to Mt. Kumgang despite the nuclear test; South Koreans had an emotional attachment to the mountain that the U.S. should try to understand.

Economy, Economy, Economy

17. (C) On the South Korean economy, Lee said that the current 4 percent economic growth rate was fueled by exports and high tech industries which did not create many jobs or stimulate the development of the overall economy. Therefore, there was a high level of economic insecurity. To overcome such insecurities, the domestic market should develop to the point of around 7 percent growth rate, enough for new job creation and to fuel a boom in domestic demand. Lee then touted his canal project that would link Busan to Seoul, Seoul to Incheon, and also have links into North Korea to create a transportation corridor that would boost economic growth. NOTE: Lee recently went to Germany and Netherlands to study various canal projects and to Switzerland to study the high-speed particle accelerator on the Swiss-French border. END NOTE.

Comment

18. (C) Now leading comfortably in the polls, Lee is widely seen as the presidential candidate to beat. One of his rivals, former Governor Sohn Hak-kyu recently conceded that if Lee keeps building momentum, "he will be unbeatable by any candidate." Lee, a self-made man, represents several important symbols that most Koreans revere: former President Park Choong-hee, who worked closely with Hyundai to encourage

sustained economic development, Hyundai and the success of the chaebol system, and the Horatio Alger myth, Korean style.

19. (C) Lee's main negative is also his long-time involvement with the Hyundai Group, especially the construction business.

His opponents assume that Lee must have many skeletons hidden in his closets because most construction in Korea involves questionable financing. Lee's take-no-prisoners style in business and politics also grate his opponents, who remind the public that South Korea is now beyond such authoritarian conduct. Still, for many South Koreans, there's no denying that Lee's can-do persona holds considerable attraction.

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